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**Kingsoft Corporation Limited**

**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

**CONNECTED TRANSACTIONS  
EXERCISE OF KINGSOFT WARRANT AND  
XIAOMI WARRANT**

On 30 March 2015, the Company exercised the Kingsoft Warrant and Xiaomi exercised the Xiaomi Warrant in full at the exercise price of US\$0.0742 per KSC Series A Preferred Share, respectively, under the Shareholders Agreement.

On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issue under the ESOP are issued; (iii) all shares issuable pursuant to certain share purchase agreements entered into by and among the Company, Kingsoft Cloud, and Cloud Expert Limited and River Jade Holdings Limited, respectively, are issued; and (iv) all the series B preferred shares of Kingsoft Cloud are issued under the share purchase agreement dated 27 March 2015, upon completion of the full exercise of both the Kingsoft Warrant by the Company and the Xiaomi Warrant by Xiaomi, Kingsoft Cloud will be owned as to approximately 52.3% by the Company and 24.5% by Xiaomi.

Kingsoft Cloud granted the Xiaomi Warrant to Xiaomi on 21 August 2014. Such grant was classified as if the Xiaomi Warrant has been exercised at the time of such grant. Pursuant to Rule 14A.61 of the Listing Rules, the Company must make subsequent announcement upon exercise of the Xiaomi Warrant by Xiaomi.

The exercise of the Kingsoft Warrant under the Shareholders Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the exercise of the Kingsoft Warrant under the Shareholders Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but is exempted from the independent shareholders approval under Chapter 14A of the Listing Rules.

## **1 BACKGROUND**

Reference is made to the announcement of the Company dated 21 August 2014 in relation to the grant of Kingsoft Warrant and Xiaomi Warrant by Kingsoft Cloud. On 21 August 2014, the Company, Xiaomi, Kingsoft Cloud Group and other shareholders of Kingsoft Cloud entered into the Shareholders Agreement. Pursuant to the Shareholders Agreement, Kingsoft Cloud agreed to grant warrants to the Company and Xiaomi, respectively, to subscribe for not more than 26,948,000 KSC Series A Preferred Shares and not more than 161,688,000 KSC Series A Preferred Shares at the exercise price of US\$0.0742 per KSC Series A Preferred Share.

On 30 March 2015, Kingsoft Cloud received the written notices from the Company and Xiaomi in relation to the full exercise of the Kingsoft Warrant and Xiaomi Warrant, respectively. On the same date, the Company exercised the Kingsoft Warrant in full and Xiaomi exercised the Xiaomi Warrant in full at the exercise price of US\$0.0742 per KSC Series A Preferred Share, respectively, under the Shareholders Agreement.

## **2 EXERCISE OF KINGSOFT WARRANT AND XIAOMI WARRANT**

Under the full exercise of the Kingsoft Warrant, the Company subscribed for 26,948,000 KSC Series A Preferred Shares in an aggregate consideration of US\$2 million.

Under the full exercise of the Xiaomi Warrant, Xiaomi subscribed for 161,688,000 KSC Series A Preferred Shares in an aggregate consideration of US\$12 million.

On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issue under the ESOP are issued; (iii) all shares issuable pursuant to certain share purchase agreements entered into by and among the Company, Kingsoft Cloud, and Cloud Expert Limited and River Jade Holdings Limited, respectively, are issued; and (iv) all the series B preferred shares of Kingsoft Cloud are issued under the share purchase agreement dated 27 March 2015, the 26,948,000 KSC Series A Preferred Shares and 161,688,000 KSC Series A Preferred Shares represents approximately 1.6% and 9.6% of the total shares of Kingsoft Cloud, respectively. Upon completion of the full exercise of both the Kingsoft Warrant by the Company and the Xiaomi Warrant by Xiaomi, Kingsoft Cloud will be owned as to approximately 52.3% by the Company and 24.5% by Xiaomi.

For the ranking of the KSC Series A Preferred Shares issued under the aforementioned warrants and the financial information of Kingsoft Cloud Group, please refer to the announcement of the Company dated 21 August 2014 and 27 March 2015.

### **3 IMPLICATIONS UNDER THE LISTING RULES**

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Xiaomi is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Kingsoft Cloud granted the Xiaomi Warrant to Xiaomi on 21 August 2014. Such grant was classified as if the Xiaomi Warrant has been exercised at the time of such grant. Pursuant to Rule 14A.61 of the Listing Rules, the Company must make subsequent announcement upon exercise of the Xiaomi Warrant by Xiaomi.

Kingsoft Cloud is a connected subsidiary of the Company. Therefore, the exercise of the Kingsoft Warrant under the Shareholders Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the exercise of the Kingsoft Warrant under the Shareholders Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but is exempted from the independent shareholders approval under Chapter 14A of the Listing Rules.

Mr. Jun LEI, Mr. HongJiang ZHANG and Mr. Yuk Keung NG have abstained from voting on the Board resolution in relation to the exercise of Kingsoft Warrant as they are the directors of Kingsoft Cloud. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Kingsoft Warrant and none of them has abstained from voting on the relevant Board resolutions.

The Directors (including the independent non-executive Directors) believe that the exercise of the Kingsoft Warrant is on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **4 INFORMATION ABOUT THE PARTIES**

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and operation of online games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, online marketing services and internet value-added services across device.

Kingsoft Cloud Group is engaged in the research, development and provision of cloud technology and services.

Xiaomi Group is one of the leading providers of smart devices in the PRC. It is principally engaged in the design, research, development and sales of smart devices and the provision of mobile internet services.

## 5 DEFINITIONS

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into the Cayman on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“ESOP ”	the share award scheme, the share option scheme and other employee stock incentive plans as adopted by Kingsoft Cloud from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company organized under the laws of the Cayman and a connected subsidiary of the Company as at the date of this announcement
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Kingsoft Warrant”	a warrant granted by Kingsoft Cloud to the Company under the Shareholders Agreement, pursuant to which the Company has the right to subscribe for up to 26,948,000 KSC Series A Preferred Shares
“KSC Ordinary Shares”	the ordinary shares of Kingsoft Cloud with par value of US\$0.001 per share, in the authorized share capital of Kingsoft Cloud, each having the rights, preferences, privileges and restrictions as set forth in the articles of association of Kingsoft Cloud
“KSC Series A Preferred Shares”	the Series A preferred shares of Kingsoft Cloud with par value of US\$0.001 per share, in the authorized share capital of Kingsoft Cloud, each having the rights, preferences, privileges and restrictions as set forth in the articles of association of Kingsoft Cloud

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholders Agreement”	the shareholders agreement dated 21 August 2014 and entered into among the Company, Xiaomi, Kingsoft Cloud Group and other shareholders of Kingsoft Cloud, pursuant to which Kingsoft Cloud agreed to grant warrants to the Company and Xiaomi, respectively, to subscribe for not more than 26,948,000 KSC Series A Preferred Shares and not more than 161,688,000 KSC Series A Preferred Shares at the exercise price of US\$0.0742 per KSC Series A Preferred Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman
“Xiaomi Group”	Xiaomi and its subsidiaries
“Xiaomi Warrant”	a warrant granted by Kingsoft Cloud to Xiaomi under the Shareholders Agreement, pursuant to which Xiaomi has the right to subscribe for up to 161,688,000 KSC Series A Preferred Shares
“%”	percent

By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman*

Hong Kong, 30 March 2015

*As at the date of this announcement, the Executive Directors are Messrs. HongJiang ZHANG, Yuk Keung NG and Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.*